Frozen Foods

Menswear Buying

Military Market

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Charting a New Course

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Military Market Index

COMMISSARIES		OCTOBER				YEAR-TO-DATE			
		CY '90	CY '91	PERCENT CHANGE	AVERAGE SALES	CY '90	CY '91	PERCENT CHANGE	STORES
CENTRAL	CONUS	–	$72,413	–	$1,766	–	–	–	41
	OVERSEAS	–	376	–	376	–	–	–	1
	TOTAL	–	**72,789**	–	**1,733**	–	–	–	**42**
MIDWEST	CONUS	–	65,134	–	1,447	–	–	–	45
	OVERSEAS	–	79	–	79	–	–	–	1
	TOTAL	–	**65,213**	–	**1,418**	–	–	–	**46**
NORTHEAST	CONUS	–	83,057	–	1,730	–	–	–	48
	OVERSEAS	–	5,854	–	1,171	–	–	–	5
	TOTAL	–	**88,911**	–	**1,678**	–	–	–	**53**
SOUTHERN	CONUS	–	79,808	–	1,900	–	–	–	42
	OVERSEAS	–	0	–	–	–	–	–	0
	TOTAL	–	**79,808**	–	**1,900**	–	–	–	**42**
SOUTHWEST	CONUS	–	84,554	–	1,626	–	–	–	52
	OVERSEAS	–	0	–	–	–	–	–	0
	TOTAL	–	**84,554**	–	**1,626**	–	–	–	**52**
NORTHWEST/ PACIFIC	CONUS	–	22,004	–	1,693	–	–	–	13
	OVERSEAS	–	44,292	–	1,007	–	–	–	44
	TOTAL	–	**66,296**	–	**1,163**	–	–	–	**57**
EUROPE	CONUS	–	0	–	–	–	–	–	0
	OVERSEAS	–	58,693	–	502	–	–	–	117
	TOTAL	–	**58,693**	–	**502**	–	–	–	**117**
TOTAL COMMISSARIES	CONUS	$413,259	$406,970	-1.52	$1,689	$4,152,960	$4,295,609	+3.43	241
	OVERSEAS	$95,848	$109,294	+14.03	$651	$958,428	$984,626	+2.73	168
	TOTAL	**$509,107**	**$516,264**	**+1.41**	**$1,262**	**$5,111,388**	**$5,280,235**	**+3.30**	**409**
GROCERY STORES	*U.S. 1*	*$28.055bil.*	*$28.911*	*+3.05*	–	*$280.769bi.*	*$288.222bil.*	*+2.65%*	–

EXCHANGES		OCTOBER			YEAR-TO-DATE		
		CY '90	CY '91	PERCENT CHANGE	CY '90	CY '91	PERCENT CHANGE
AAFES	CONUS	$349,189	$325,700	-6.73	$3,321,847	$3,451,155	+3.89
	OVERSEAS	268,019	200,200	-25.30	2,463,263	2,559,803	+3.92
	TOTAL	**617,208**	**525,900**	**-14.79**	**5,785,110**	**6,010,958**	**+3.90**
MAIL ORDER	CONUS [2]	1,076	1,500	+39.41	10,903	14,864	+36.33
	OVERSEAS [2]	2,383	2,200	-7.68	23,065	24,927	+8.07
	TOTAL [3]	**3,459**	**3,700**	**+6.97**	**33,968**	**39,791**	**+17.14**
NAVY	CONUS [4]	109,330	109,160	-0.16	1,099,766	1,126,359	+2.42
	OVERSEAS [4]	47,569	50,446	+6.05	491,224	510,259	+3.88
	TOTAL [3]	**156,899**	**159,606**	**+1.73**	**1,590,990**	**1,636,618**	**+2.87**
MARINES CORPS	CONUS	30,972	34,940	+12.81	310,710	323,539	+4.13
	*OVERSEAS	3,301	5,977	+81.07	36,177	52,877	+46.16
	TOTAL [2]	**34,273**	**40,917**	**+19.39**	**346,887**	**376,416**	+8.51
COAST GUARD	CONUS [2]	10,333	9,693	-6.19	96,141	96,932	+0.82
	OVERSEAS	764	774	+1.31	7,268	7,448	+2.48
	TOTAL [2]	**11,097**	**10,467**	**-5.68**	**103,409**	**104,380**	**+0.94**
ALL EXCHANGES	CONUS	$500,900	$480,993	-3.97	$4,839,367	$5,012,849	+3.58
	OVERSEAS	$322,036	$259,597	-19.39	$3,020,997	$3,155,314	+4.52
	TOTAL	**$822,936**	**$740,590**	**-10.01**	**$7,860,364**	**$8,168,163**	**+3.92**
DEPARTMENT STORES	*U.S.* [1]	*$13.778bil.*	*$14.588bil.*	*+5.88*	*$127,0080bi.*	*$131.793bil.*	*+3.77%*

NOTE: Missing data will be provided when available. Distribution of sales by CONUS and overseas is based on definition by respective region. Figures do not include sales tax. 1) Source: U.S. Department of Commerce. 2) MM estimate, based on official data. 3) Includes consolidated sales for all services, including Coast Guard. 4) Does not include sales of ships stores. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

CONSUMER SURVEY

Commissaries rank high on active duty shopping lists

By DAVID CRAIG
Associate Editor

Active duty service members in the continental United States on average buy less than half their goods on military installations. However, a study shows they purchase nearly two-thirds of their food for home use at commissaries.

The government's food stores account for 64 percent of food purchases for home use and for 55 percent of purchases of personal care products, says the random survey of 3,600 active duty military personnel conducted for the Pentagon's Per Diem, Travel and Transportation Allowance Committee.

The survey, taken among military service members in the 48 contiguous

Active Duty Commissary and Exchange Use By Military Pay Range

PURCHASES MADE IN COMMISSARIES

Product	All	E1 -E4	E5 -E6	E7 -E9	W1 -O3	04 -05	06 +
Cigarettes	59	59	62	65	41	42	44
Beef and veal	64	60	65	67	64	70	74
Pork	59	52	60	63	58	66	70
Lamb	26	20	23	27	33	42	49
Fish	45	39	45	49	48	53	53
Poultry	67	63	67	70	69	74	77
Frozen vegetables	65	59	65	66	68	75	77
Frozen fruit	56	51	56	59	59	64	67
Frozen juice	56	51	56	59	59	64	67
Canned meat/fish	53	40	54	60	57	64	70
Canned vegetables	67	65	67	69	65	71	73
Canned fruit	63	59	63	65	62	70	72
Canned juice	63	59	63	65	62	70	72
Eggs	72	69	73	72	71	74	74
Margarine	74	72	75	74	72	77	79
Butter	74	72	75	74	72	77	79
Milk, fresh	70	68	72	71	68	68	72
Milk, dried	34	26	32	37	40	46	48
Cheese	71	68	72	73	71	73	75
Flour	69	63	69	73	71	77	79
Cake mix	69	63	69	73	71	77	79
Sugar	72	68	72	74	72	77	79
Cereals	73	68	74	74	73	78	80
Rice	68	64	68	71	70	77	79
Coffee	69	77	69	77	69	76	78
Tea	69	77	69	77	69	76	78
Fresh fruit	66	65	67	66	64	64	66
Potatoes	65	63	67	65	63	64	67
Fresh vegetables	65	63	67	65	63	64	67
White bread	69	67	71	68	69	69	72
Other bread	69	67	71	68	69	69	72
Candy	49	51	54	54	54	57	61
Shortening/cook oil	68	62	69	73	68	75	78
Baby food	41	30	45	42	53	38	23
Soft drinks	66	62	67	68	65	72	75
Toothpaste	71	68	73	74	71	73	77
Razor blades	71	68	73	74	71	73	77
Deodorant	71	68	73	74	71	73	77
Detergent/soap	75	72	76	76	75	79	83
Sanitary napkins	70	62	72	75	74	79	83
Toilet paper	70	62	72	75	74	79	83
Light bulbs	68	63	69	71	70	73	77

PURCHASES MADE IN EXCHANGES

Product	All	E1 -E4	E5 -E6	E7 -E9	W1 -O3	04 -05	06 +
Beer	39	37	40	36	42	43	51
Wine	47	42	47	46	49	54	64
Liquor	49	45	49	49	51	57	67
Non-prescription drugs	59	49	61	64	63	65	72
Sewing machine	33	30	33	34	36	39	44
Electric iron	33	30	33	34	36	39	44
Washing machine	33	30	33	34	36	39	44
Vacuum cleaner	33	30	33	34	36	39	44
Bath towel	23	21	24	25	23	26	28
Sheet	23	21	24	25	23	26	28
Man's suit	31	27	31	32	30	40	43
Man's slacks	31	27	31	32	30	40	43
Man's shirt	31	27	31	32	30	40	43
Man's shoes	31	27	31	32	30	40	43
Woman's dress	29	26	29	30	26	34	37
Woman's blouse	29	26	29	30	26	34	37
Woman's skirt	29	26	29	30	26	34	37
Woman's slip	29	26	29	30	26	34	37
Woman's pantyhose	29	26	29	30	26	34	37
Child's jeans	31	26	33	31	33	38	36
Child's shoes	31	26	33	31	33	38	36
A/V (TV/VCR/stereo)	31	25	32	32	32	40	44
Record/CD	38	35	40	39	37	44	47
Pre-record or VHS	38	35	40	39	37	44	47
Cassette tape/blank	38	35	40	39	37	44	47
Camera, film/process	42	35	42	45	46	51	54
Paperback book	37	36	38	38	37	38	39
Local paper	37	36	38	38	37	38	39
Out-of-town paper	37	36	38	38	37	38	39
Weekly magazine	37	36	38	38	37	38	39
Bicycle/sport goods	31	24	31	33	33	39	39

PURCHASES MADE ELSEWHERE ON BASE

Product	All	E1 -E4	E5 -E6	E7 -E9	W1 -O3	04 -05	06 +
Gasoline	49	45	51	51	52	48	47
Auto tires	21	15	19	23	25	31	38
Oil change	19	19	18	18	21	21	26
Tune-up	19	19	18	18	21	21	26
Auto labor cost	19	19	18	18	21	21	26
Base laundry	21	15	21	28	23	25	31
Laundromat	12	16	12	10	8	7	5
Dry cleaning	39	34	38	44	41	45	46
Men's hair service	59	55	58	63	63	60	58
Child's haircut	59	55	58	63	63	60	58
Beauty shop	15	13	17	17	14	11	12

SOURCE: DoD Per Diem, Travel, and Transportation Allowance Committee

states in late 1989 and early 1990, was the first such random study among service personnel of all ranks. Earlier studies of shopping at military stores had included only a sampling of people — those who actually visited the commissaries, exchanges and other base facilities.

"This is the first time this has ever been done this way," Leonard Pomeroy, chief of the committee's cost of living allowance (COLA) section, told MILITARY MARKET.

The study included some "eye-opener" news for researchers, he said, noting that officials used to think about 80 percent of the food purchased for military home use came from commissaries.

But Pomeroy cautioned that officials "don't really know what the trends are" among the users of the government stores since previous studies were not random and only focused on in-store shoppers. The random survey included a more diverse sampling of U.S. military personnel.

Reseachers will get a better idea of on-base store use after conducting another random survey at the end of this year. "We're committed to doing another one around the end of 1992," Pomeroy said.

The survey's results are used to determine COLAs for personnel living in expensive overseas locations. The U.S. purchase data give officials an idea of how much income military people stationed overseas are spending on day-to-day purchases.

The survey found that for every $100 of a service member's "spendable" income, roughly $57 are spent on items that can be bought on military installations. On average, 45 percent of purchases are made on military posts and bases, giving the facilities about $25 for every $100 in spendable income of active duty service members.

The Pentagon defines spendable income as total income minus housing costs, federal income taxes, gifts and contributions and savings, Pomeroy said.

The other $43 of every $100 in spendable income goes toward items that cannot be purchased on government installations, for example, telephone service, food eaten away from home, part of a service member's transportation, and some recreational activities such as movies and sporting events.

The big purchases on bases included food at home (64 percent), personal care products (55 percent), tobacco and alcohol (49 percent) and some furniture and other household items (47 percent).

For every $100 of a service member's spendable income, roughly $57 are spent on items that can be bought on military installations.

The survey revealed that the longer a person serves in the military, the more likely he or she is to use commissaries, exchanges or other stores on military installations. The highest-paid enlisted members and highest-ranking officers tended to use the stores more often on purchases of everything from light bulbs to milk.

Officers tended to make greater use of the stores than enlisted personnel, although higher-grade enlisteds sometimes used the stores more often than lower-grade officers who have been in the service for less time.

Cigarette purchases seemed to be an exception. Enlisted members made between 60 percent and 65 percent of their tobacco purchases at commissaries, while officers made between 40 percent and 45 percent of their purchases there. It was not clear whether cigarettes were a true exception to the survey's general rule or whether the difference reflected other trends.

Eggs were a purchase often made by enlisteds and officers alike. On average, military personnel bought 72 percent of their eggs on-base. The figure was fairly consistent from the lowest-paid enlisted person to the highest-ranking officer. Other favorite food products bought at commissaries were margarine and butter (74 percent) and fresh milk (70 percent).

Some of the least used goods and services on the installations were the laundromat (12 percent overall), auto tune-ups and oil changes (19 percent), and lamb (26 percent).

The survey excluded service members living in barracks or on ships, and had a margin of error of plus or minus about 3 percentage points.

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Frozens gear up for the long haul

By David Craig, Associate Editor

Frozen food manufacturers feel their products, long standard fare for Americans, will stay on dinner tables for quite a while. And many of them are taking steps to make sure frozens will remain popular with the next shopping generation as well.

Most frozens producers don't see the new microwaveable, shelf stable foods as a significant challenge to their $28.7 million military business in frozen dinners. However, some Defense Commissary Agency buyers, as well as some suppliers, think shelf stables hold potential if customers ever widely accept them.

One newly popular frozens subcategory is products forumulated and marketed for children. Since many youngsters often get home before their moms and dads arrive to cook dinner, some manufacturers are tailoring and marketing products to suit young meal preparers who are old enough to use microwave ovens.

REACHING THE FUTURE CUSTOMER

Marketing children's products is definitely one trend heating up the frozen food business, says Sandy Horan, a commissary management specialist in DeCA's Southern Region.

"That's expanded big time," Horan told MILITARY MARKET. "They're [the suppliers] going after kids big time."

Child-oriented meals, some of which feature cartoon characters in the packaging, have joined gourmet meals and diet foods as "about the hottest items today" in frozen foods, Horan said.

Some suppliers design their products specifically for young patrons. Tyson/Tastybird/Holly Farms has marketed its line of Looney Tunes meals for about two years. The Springdale, Ark., company recently expanded children's meals beyond meat-based products.

"We are introducing pasta meals in that area," said Mitch Thrower, the company's director of military sales and marketing. He said the company is considering other kids items, too, "possibly in the breakfast area."

Tyson currently has about 20 products in the "child-convenient category," he said.

"Demographic numbers all indicate, at least on the retail side, that [with] the number of working mothers, working wives . . . there are a lot of latch-key kids that this type of a meal would be appealing to," Thrower said.

Marketing numbers show child-oriented products are a growing field. Kid Cuisine by ConAgra Frozen Foods enjoyed 10.6 percent of the frozen dinner market in commissaries during the 12 months ending in November 1991, according to Military Audits of Market Information of Bethesda, Md. The increase from 8.8 percent in the previous year made Kid Cuisine the fourth-largest seller in category brand shares.

Tyson's Looney Tunes brand accounted for another 2.5 percent of the frozen dinner business for the same period, up from 0.6 percent in the previous 12-month period, MAMI said.

ConAgra, a pioneer in developing and marketing children's meals, is expanding the category. After an initial launch of eight items, the Omaha, Neb., company soon introduced four more. It has now entered the children's breakfast category, said Richard Fortmeyer, the company's vice president for military sales and marketing.

"We discovered through our market research that there was no real kids-type meal available in that fast-growing, exceptionally dynamic breakfast section," Fortmeyer said.

He said ConAgra has expanded children's meals into the next generation, creating larger-portion dinners for hungrier youngsters.

OTHER TACKS ON MARKET EXPANSION

Not all companies have created products specifically for children. Instead, they have tried to make meals attractive to younger and older customers alike.

For instance, Ray Gadd, general manager for sales and marketing at H.J. Heinz Special Markets, said his company sells some of its products — he mentioned French fries — as "fun food" that appeals to children.

"At Heinz, we feel that children are eating our products today, and we don't need to come out with a line specifically designed for children," Gadd said.

Children influence buying, he said, and "while they are not the actual consumers, they are helping their parents make decisions on their purchasing habits."

As the youngsters grow up, they may find more grocery choices — shelf stable items such as microwave dinners that don't require refrigeration. The Southern Region's Sandy Horan believes they probably will.

"Yes, there is an increase" in sales of shelf stables, he said. The new products offer a "good alternative" for parents who want something their children can use without requiring refrigeration.

"I think it's here to stay," Horan said.

Dennis Graven, a buyer in DeCA's Northwest/Pacific Region, told MILITARY MARKET it will take time to see whether shelf stables pose a real challenge to frozens.

"Not yet, but it is projected that they may," Graven said. "It's going to take some time, but I feel that they will."

He said shelf stables will probably become a contender in the market late in 1992, with moderate sales by the fourth quarter.

But Joel Springer, a frozen food buyer for DeCA's Central Region, said shelf stables pose absolutely no threat to the frozens business.

"I think there will always be frozen foods," Springer said.

Frozens promotions suffer from limited refigeration space, while shelf stables can keep just about anywhere. But frozen food suppliers are quick to point out that consumers hold very favorable opinions of freezer goods.

"I would contend that the shelf stables aren't going to have a big impact on the frozen food business," said Don

FROZEN DINNER & ENTREE CONTRIBUTION INDEX

Commissary consumer tastes in frozen dinners and entrees — from the extra portion selection to premium and economy single and multi servings — are decidedly regional. The chart below shows the regional extremes of the dollar index — the change in percentage of total sales within a region — for frozen dinners and entrees.

	DINNERS				ENTREES	
REGION	Extra Portion	Single Serving	Premium Single Srv.	Economy Multi Srv.	Economy Single Srv.	Premium Single Srv.
Northeast	- 09%	- 09%	+ 07%	- 02%	- 15%	+ 02%
Central	- 08%	+ 12%	- 06%	+ 46%	+ 07%	- 03%
Midwest	- 07%	+ 15%	- 06%	+ 14%	+ 15%	- 02%
Southern	- 10%	- 13%	+ 09%	+ 05%	+ 04%	+ 01%
Southwest	+ 20%	+ 01%	- 05%	- 39%	+ 02%	+ 03%
Northwest	+ 19%	- 10%	+ 01%	- 09%	- 34%	+ 03%

Figures are for the 12-month period ending May 1991. Source: MAMI

Nelson, national sales manager for government and special markets for Stouffers. "People haven't taken a liking to them."

He cited taste and consistently good quality as advantages of frozens.

"Ask a housewife how many times she'd like to eat an MRE [Meals, Ready to Eat]. And that's about what a shelf stable product is," Nelson said. "I guess the proof is in the pudding — try it and see if you like it."

Nelson said today's customers are more discerning and look for quality and good taste.

But Tyson's Thrower suggested if a manufacturer of frozen spaghetti competes with a canned version of the same product — like Spaghetti Os, — then he should watch his price points to make sure his product appeals to a price-conscious customer. If parents can split a canned item among their children and save money, they might find that product more attractive.

"I think they [shelf stables] are having an impact, maybe a slight impact, on the frozen dinner category," Thrower said. "But it would only seem reasonable to me that if they get the quality and the taste up — and go along with all the health trends in the frozen products — it would be a pretty advantageous product for the consumer to buy. It eliminates the cost of freezing it," Thrower said.

But consumer perceptions may give the advantage to frozens, he said. "I think a lot of people could possibly consider the shelf stable meal to be like almost a C-ration or a combat meal-type of thing."

Thrower noted that "people have been buying chili out of a can and beef stew out of a can for years. But then in some of the other areas there could almost be a perception that, 'Hey, this is almost like what I had back in Vietnam or something.'

"It's not, but I think there could be a perception," said Thrower, who acknowledged he had never tried a shelf stable meal.

"People would almost feel there's got to be some preservatives in that thing to protect the taste. If they can get past that, I think it could be a going category," he said.

ConAgra's Fortmeyer said he does not consider shelf stables a significant challenge to frozens. "I think 10 or 15 years ago there was a headline released in the industry that they thought shelf stables were going to eventually replace frozens. And [over] the course of events that have gone now . . . I don't think that that has really come to pass," Fortmeyer said.

ConAgra itself has ventured into shelf stables and still sells some items "without the thought that it would lead to the cannibalization of some of our frozen brands," Fortmeyer said.

Unlike their overseas counterparts, North American manufacturers still need to win consumer confidence that shelf stables "are as tasteful and in some cases as nutritional and safe as frozens," he said.

Southern Region buyer Sandy Horan dismissed concerns about the taste and quality of shelf stables, saying some sellers appear to be "looking over their shoulder . . . . The products they are coming out with are getting better."

Nevertheless, sales of microwaveable shelf stable lunches and dinners may be fading. For the year ending November 1991, MAMI data showed microwaveable lunches selling about $9.8 million, a drop of 6.5 percent over the previous 12 months.

Some suppliers mentioned shopper price sensitivity as a trend in frozens. MAMI research shows that in ConUS, "non-premium" frozen dinner portions were among the fastest growing areas in dinner sales for the 12 months ending May 1991.

The non-premium portions, which cost less and are marketed for the cost-conscious customer, saw unit sales volume rise over the year, giving them a larger share of frozen sales. Non-premium portions grew far faster in dollar sales than premium portions.

Premium entrees fared better, however. Volume rose 18.8 percent during the 12 months ending in May 1991, while economy singles dropped by 12.3 percent, according to MAMI. For the year ending May 1991, MAMI said frozen entree sales grew to $36.1 million in ConUS, up 13.7 percent.

What does the future hold for those ol' frozen favorites — TV dinners and pot pies? ConAgra's Fortmeyer thinks they'll fare well against newcomers.

"The prognosticators in the industry . . . over the last few years said that with the advent of all the new products and all the new ideas . . . those old items would be dead, gone and buried right now. And we're finding that they're still very healthy out there," Fortmeyer said.

"Matter of fact, we're seeing not only a protection and maintenance but a resurgence in our business of our dinners that have been around for 20 years." MM